MORAY PLACE INVESTMENT COMPANY

INTERIM REPORT AND FINANCIAL STATEMENTS
for the six months to 31 March 2018 (unaudited)

ABOUT YOUR COMPANY

Moray Place Investment Company (MPIC) was formed on 2 May 2012 as an open-ended investment company and started trading on 15 May 2012. It is regulated and authorised by the Financial Conduct Authority in the UK as a non-UCITS retail scheme. It is available only to Professional investors and those who elect to be treated as such.

The company is intended to be a long-term investment vehicle for like-minded individuals. It is low-cost, straightforward and free of the conflicts of interest that bedevil the money management industry.

MPIC's objective is to preserve and grow (in that order) the purchasing power of its investors' capital. The investment manager believes that it is most meaningful to assess MPIC's progress over a full economic cycle, which is typically 5-10 years. Over this time frame, useful comparators include UK consumer price inflation, the yield on long-dated gilts, and equity indices.

MPIC expects to achieve its objective primarily through owning shares in established companies listed on stock exchanges around the world. It will not borrow, use derivatives, short-sell securities, or invest in property directly.

The investment approach is uncomplicated, disciplined and patient. The investment manager also believes that it is conservative, if idiosyncratic. MPIC is not designed to appeal to a broad constituency. It is only suitable for investors who can evaluate the merits and risks of such an approach: if you cannot, or it makes you uncomfortable, or it simply does not suit your psychology, you should not invest.

Value of company at 31 March 2018	£69,525,298
Authorised Corporate Director (ACD)	Valu-Trac Investment Management Limited
Investment manager	Hollis Capital Limited
Minimum investment	Initial: £100,000 Subsequent: £10,000
Dealing spread	1%
Ongoing charges *(annualised)*	0.49%
Performance fee	Not applicable
Initial charges	Not applicable
Redemption charges	5% for sales within 2 years of purchase; 2% for sales between 2 and 5 years of purchase *Paid to MPIC, not to the ACD or investment manager*
Ex-dividend date	30 September
Dividend date	30 November

FINANCIAL SUMMARY

	At and for the period ended				
	31 Mar 2018	**30 Sept 2017**	**30 Sept 2016**	**30 Sept 2015**	**30 Sept 2014**
Value of company	£69.5m	£68.7m	£51.4m	£34.2m	£28.3m
Shares outstanding					
Accumulation	28.0m	27.3m	22.2m	19.1m	17.0m
Income	6.3m	5.7m	5.6m	5.4m	5.1m
NAV per share *(mid price)*					
Accumulation	205.2p	210.4p	186.9p	141.0p	128.4p
Income	195.5p	200.4p	180.3p	136.7p	125.9p
Dividend per share					
Accumulation	0p	2.66p	2.28p	1.80p	1.45p
Income	0p	2.56p	2.22p	1.80p	1.45p
Effective liquidity	22%	22%	25%	22%	26%
Ongoing charges	0.49%	0.51%	0.58%	0.61%	0.63%
Portfolio turnover	3%	8%	9%	10%	3%

Notes
The company started trading on 15 May 2012 when shares were issued at 100p each.
Effective liquidity includes the investment in gold; all the current constituents are shown on p.5.
The ongoing charges ratio is based on the actual charges and the average NAV during the period.
Both the ongoing charges ratio and portfolio turnover are annualised.

Dear fellow shareholders

The company's objective is to protect and grow the purchasing power of its investors' capital. I believe that the best means of achieving this is to own a careful selection of superior businesses, run by able people who treat shareholders as partners.

However, even the best businesses can be poor investments if bought at the wrong price. I believe that the wrong price is most likely when the business and its leaders are high-profile, acclaimed and glamorous. For that reason, I favour companies that are low-profile, obscure and mundane. Nevertheless, if one owns a superior business run by people with the right motivations, I find it more fruitful to cultivate the patience to hold on than to worry about valuation. Patience helps because three factors underpin the long-term advantage of the business investor.

Edgar Lawrence Smith identified all three factors in the 1920s in his book *Common Stocks as Long-Term Investments*. He analysed the returns from US shares and corporate bonds between 1866 and 1922. Smith described his study as a record of failure. It failed because it did not prove his preconceived theory: he had thought that while shares do better than bonds when prices rise, bonds do better when prices fall. In fact, shares did better over every 20-year period he examined, including during the first half of the study when consumer prices fell persistently.

Smith concluded that shares held three structural advantages. First, quoted shares represent a stake in real property and processes, whereas bonds represent an investment in monetary values. The real value of bonds falls when inflation is greater than expected and rises when inflation is less than expected. Smith argued that price shocks were overwhelmingly inflationary. Today the inflationary bias seems even stronger, as central banks regard deflation as a policy failure.

Smith called the second advantage the "human factor": corporate management naturally favour equity owners over bondholders. Indeed, an element of successful equity investment is to partner talented people with the right motivation, working hard for you.

Smith's third insight was his most important, yet still seems little discussed. He noted that most companies distribute only part of their profits to shareholders as dividends. They retain the rest to reinvest back into their business. The retained profits in turn generate more profits, which in turn beget yet more. Thus, at the heart of most healthy companies is "a practical demonstration of the principle of compound interest". A portfolio of such companies has an inexorable tendency to compound its underlying business value – regardless of how share prices fluctuate.

A shareholder reinvesting his dividends seldom replicates the effect of a company reinvesting its profits. This is because the shareholder reinvests at market prices while the company effectively reinvests at asset value. As the share prices of healthy companies can be a multiple of their asset values, the company's return is far better. Extending Smith's insight, a company that can reinvest at satisfactory returns becomes *more* valuable the less it pays out in dividends.

Yet, conventional wisdom seems to favour higher dividends and more income, now. Few managers are prepared to act unconventionally and apply Smith's logic. Warren Buffett is one: Berkshire Hathaway has not paid a dividend for over 50 years. The exemplar I prefer is Markel. It has not paid a dividend since floating in 1986, has a low profile and has more opportunities to reinvest its profits.

Smith's conclusions remain compelling almost a century after publication, especially the compound interest effect of reinvested profits. Thus, I spend my time trying to identify companies with compounding characteristics. Occasionally I need the courage to buy them when others are selling. But most of all I try to cultivate the patience to hold them.

Peter Hollis

PORTFOLIO AT 31 MARCH 2018

Security	Country	Holding	Value (£)	%	*30 Sept 2017*
Markel	US	7,400	6,148,698	8.8%	
Fairfax Financial	Canada	11,000	3,946,366	5.7%	
VP	UK	370,000	3,093,200	4.5%	
Svenska Handelsbanken A	Sweden	320,000	2,841,610	4.1%	
Jardine Strategic	Singapore	90,000	2,460,406	3.5%	
JD Wetherspoon	UK	200,000	2,289,000	3.3%	
Progressive Corp	US	48,000	2,095,851	3.0%	
Admiral Group	UK	110,000	2,036,375	2.9%	
WH Soul Pattinson	Australia	190,000	1,932,612	2.8%	
Hansa Trust A	UK	165,000	1,612,875	2.7%	
Hansa Trust Ords	UK	25,000	248,125		
Moody’s	US	15,000	1,712,972	2.5%	
Philip Morris International	US	21,000	1,492,826	2.2%	
Strayer Education	US	20,000	1,436,208	2.0%	
Next	UK	30,000	1,431,150	2.0%	
Rights & Issues Investment Trust	UK	66,000	1,382,700	2.0%	
Lloyds Banking Group	UK	2,000,000	1,299,000	1.9%	
Wm Morrison Supermarkets	UK	600,000	1,282,500	1.8%	
Investor B	Sweden	40,000	1,262,502	1.8%	
Sofina	Belgium	10,000	1,207,552	1.7%	
Franco-Nevada	Canada	24,000	1,157,793	1.7%	
US Bancorp	US	30,000	1,079,080	1.5%	
Royal Dutch Shell B	UK	40,000	913,700	1.3%	
Atlas Copco B	Sweden	30,000	828,278	1.2%	
RLI Corp	US	18,000	818,788	1.2%	
GBL	Belgium	10,000	812,513	1.2%	
Nestle	Switzerland	14,000	787,537	1.1%	
AMERCO	US	3,000	745,189	1.1%	
Motor Oil (Hellas)	Greece	43,071	691,083	1.0%	
Greggs	UK	50,000	615,250	0.9%	
Spirax-Sarco	UK	10,213	591,077	0.8%	
Graham Holdings B	US	1,300	559,032	0.8%	
Colruyt	Belgium	14,000	552,013	0.8%	
CF-Alba	Spain	12,000	516,058	0.8%	
Alleghany Corp	US	1,100	481,550	0.7%	
Liberty SiriusXM C	US	15,000	438,721	0.6%	
Wells Fargo warrants (28.10.18)	US	32,000	435,181	0.6%	
Remgro	South Africa	25,000	334,171	0.5%	
Ocean Wilsons Holdings	UK	30,000	325,500	0.5%	
Imperial Oil	Canada	16,000	296,666	0.4%	
Soc. Fin. des Caoutchoucs	Luxembourg	8,000	194,190	0.3%	
Total equities			***54,385,902***	***78.2%***	*78.3%*

PORTFOLIO AT 31 MARCH 2018

Security	Country	Holding	Value (£)	%	*30 Sept 2017*
US 0.125% Inflation-protected Treasury 2023	US	1,500,000	1,128,684	1.6%	
US 0.375% Inflation-protected Treasury 2025	US	1,000,000	735,504	1.1%	
US 0.625% Inflation-protected Treasury 2021	US	750,000	594,828	0.9%	
US 0.125% Inflation-protected Treasury 2019	US	750,000	564,803	0.8%	
US 0.125% Inflation-protected Treasury 2018	US	700,000	535,430	0.8%	
UK 0.125% Index-linked Gilt 2019	UK	300,000	347,173	0.5%	
Royal Canadian Mint Gold ETR	Canada	300,000	2,990,408	4.3%	
Perth Mint Gold ETP	Australia	248,954	2,358,148	3.4%	
Sprott Physical Gold & Silver Trust	Canada	200,000	1,883,156	2.7%	
Sprott Physical Gold Trust	US	200,000	1,530,292	2.2%	
Cash and equivalents	Various		2,620,265	3.7%	
Total effective liquidity			***15,288,691***	***22.0%***	*22.0%*
Adjustment to revalue assets from Mid to Bid			*-149,295*	*-0.2%*	
Total portfolio			**69,525,298**	**100%**	

Statement of total return

For the 6 months ended 31 March		2018		2017
	£	£	£	£
Income				
Net capital (losses)/gains		(2,132,663)		4,373,766
Revenue	653,146		479,931	
Expenses	(172,175)		(156,156)	
Finance costs: interest	(284)		-	
Net revenues before taxation	480,687		323,775	
Taxation	(32,803)		(26,386)	
Net revenues after taxation		447,884		297,389
Total return before dividend		(1,684,779)		4,671,155
Finance costs: dividend		-		-
Change in net assets attributable to shareholders from investment activities		(1,684,779)		4,671,155

Statement of changes in net assets attributable to shareholders

For the 6 months ended 31 March	2018	2017
	£	£
Opening net assets attributable to shareholders	68,678,318	51,366,077
Amounts receivable on creation of shares	2,531,759	6,110,210
Amounts payable on cancellation of shares	-	-
Change in net assets attributable to shareholders from investment activities (see above)	(1,684,779)	4,671,155
Closing net assets attributable to shareholders	69,525,298	62,147,442

Balance sheet

At	31 March 2018		30 Sept 2017	
	£	£	£	£
Assets				
Investment assets		66,905,033		65,348,127
Debtors	204,180		246,032	
Cash and bank balances	2,485,315		3,466,043	
Total other assets		2,689,495		3,712,075
Total assets		69,594,528		69,060,202
Liabilities				
Creditors	(69,230)		(234,983)	
Dividend payable	-		(146,901)	
Total liabilities		(69,230)		(381,884)
Net assets attributable to shareholders		69,525,298		68,678,318

Accounting policies
The financial statements have been prepared in accordance with the Statement of Recommended Practice for Authorised Funds (SORP) issued by the Investment Association (IA) in May 2014. The accounting policies applied are consistent with those in the annual financial statements for the period ended 30 September 2017 and are described in those Financial Statements.

Portfolio purchases and sales
From 1 October 2017 to 31 March 2018 there were purchases of £5,016,402 and sales of £941,016.

Authorised Corporate Director's charges

The annual ACD charges are £20,000, indexed annually to the Consumer Price Index from 1 October 2014, plus the investment management fee. The annual investment management fee is currently equal to:

1. 0.50% of the net asset value of the Company on the first £20 million; and
2. 0.35% of the net asset value of the Company thereafter.

Authorised Corporate Director's report

The rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director (ACD) to prepare financial statements for each accounting period which give a true and fair view of the financial affairs of the Company and of its revenue or expense for the period. In preparing these financial statements which are unaudited the ACD is required to:

- comply with the Prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future

The ACD is required to keep proper accounting records and to manage the Company in accordance with the regulations and the Prospectus. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Authorised Corporate Director's statement

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Scheme's Sourcebook, we hereby certify the interim report.

Anne A. Laing CA　　　　Neil J. Smith MA BA CA

Valu-Trac Investment Management Limited
Authorised Corporate Director

COMPARATIVE TABLES

	Income shares		
	6 months to 31 Mar 2018	**12 months to 30 Sept 2017**	**12 months to 30 Sept 2016**
Change in net assets per share			
Opening net asset value per share	200.4p	180.3p	136.7p
Return before operating charges †	(4.4p)	23.7p	46.7p
Operating charges	(0.5p)	(1.0p)	(0.9p)
Return after operating charges	(4.9p)	22.7p	45.8p
Dividend on income shares	0p	(2.6p)	(2.2p)
Closing net asset value per share	195.5p	200.4p	180.3p
† after direct transaction costs of	0.04p	0.13p	0.06p
Returns			
Total return after charges	(2.5%)	12.6%	32.6%
Other information			
Closing net asset value	£12.3m	£11.5m	£10.1m
Closing number of shares	6.3m	5.7m	5.6m
Annualised operating charges	0.49%	0.51%	0.58%
Direct transaction costs	0.02%	0.07%	0.04%
Share prices			
Highest offer price	204.7p	206.8p	181.2p
Lowest bid price	194.5p	178.3p	141.6p

	Accumulation shares		
	6 months to 31 Mar 2018	**12 months to 30 Sept 2017**	**12 months to 30 Sept 2016**
Change in net assets per share			
Opening net asset value per share	210.4p	186.9p	141.0p
Return before operating charges †	(4.7p)	24.5p	46.8p
Operating charges	(0.5p)	(1.0p)	(0.9p)
Return after operating charges	(5.2p)	23.5p	45.9p
Closing net asset value per share	205.2p	210.4p	186.9p
Retained dividend on accumulation shares	0p	2.7p	2.3p
† after direct transaction costs of	0.04p	0.13p	0.06p
Returns			
Total return after charges	(2.5%)	12.6%	32.6%
Other information			
Closing net asset value	£57.4m	£57.4m	£41.4m
Closing number of shares	28.0m	27.3m	22.2m
Annualised operating charges	0.49%	0.51%	0.58%
Direct transaction costs	0.02%	0.07%	0.04%
Share prices			
Highest offer price	214.9p	214.3p	187.8p
Lowest bid price	204.1p	184.7p	145.8p

CORPORATE DIRECTORY

ACD, AIFM and Registrar	Valu-Trac Investment Management Limited Orton Moray IV32 7QE Telephone: 01343 880344 Fax: 01343 880267 E-mail: mpic@valu-trac.com Authorised and regulated by the Financial Conduct Authority Registered in England No 2428648
Director	Valu-Trac Investment Management Limited as ACD
Investment Manager	Hollis Capital Limited 28 Walker Street Edinburgh EH3 7HR Authorised and regulated by the Financial Conduct Authority
Depositary	National Westminster Bank Plc Drummond House 2nd Floor, 1 Redheughs Avenue Edinburgh EH12 9RH Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority
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